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March 29, 2006

CERTIFICATE OF SERVICE

RE: Case No. 2006-00012  
Valley Gas, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on March 29, 2006.

Executive Director

BOD/sh  
Enclosure

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF VALLEY GAS, INC.	)	
FOR AN ADJUSTMENT OF RATES	)	CASE NO.
PURSUANT TO THE ALTERNATIVE RATE	)	2006-00012
FILING PROCEDURE FOR SMALL UTILITIES	)	

O R D E R

Valley Gas, Inc. ("Valley Gas") has applied to the Commission for an adjustment of rates pursuant to 807 KAR 5:076, the alternative rate filing procedure for small utilities.

Commission Staff performed a limited review of Valley Gas's test-period financial records. Upon completion of its limited review, Staff assisted Valley Gas in the development and preparation of its rate application, which Valley Gas filed with the Commission on January 12, 2006. In its report issued on February 21, 2006, Staff recommended that the Commission grant Valley Gas an annual revenue requirement from rates of \$496,212, an increase of \$44,365, or 9.8 percent over Valley Gas's normalized test-year revenue of \$451,847. Valley Gas's proposed rates will increase the average residential bill from \$122.24 to \$129.91.

During the Staff's field review, Valley Gas indicated that, in addition to its request to increase its gas service rates, it would like to increase its non-recurring charges. Staff provided the requested assistance, reviewed the documentation filed by Valley Gas, and performed the required analysis for the proposed increase in gas service rates and non-recurring charges. Valley Gas proposed to increase its non-recurring charges in its application and provided notice to its customers of the increase for these charges

when it provided notice of its proposed increase in its gas service rates as required under 807 KAR 5:011, Section 9(2).

The Commission's February 21, 2006 Order directed the parties to submit written comments on the Staff Report within 10 days from the date of the Order. On February 24, 2006, Valley Gas filed its comments in support of the Staff's findings and recommendations. There have been no requests for intervention in this proceeding.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. The recommendations and findings in the Staff Report are supported by the evidence of record and are reasonable and should be adopted as the Commission's findings and incorporated by reference as if fully set out herein.

2. Valley Gas's proposed rates should produce annual revenues of \$496,212.

IT IS THEREFORE ORDERED that:

1. The recommendations and findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.

2. Valley Gas's proposed rates, which are set forth in Appendix A, are approved for service rendered by Valley Gas on and after April 1, 2006.

3. Within 20 days from the date of this Order, Valley Gas shall file its revised tariff sheets showing the rates and charges approved herein, their effective date, their date of issue, and that they were issued pursuant to this Order.

Done at Frankfort, Kentucky, this 29th day of March, 2006.

By the Commission

ATTEST:



Executive Director

Case No. 2006-00012

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2006-00012 DATED March 29, 2006.

The following rates and charges are prescribed for the customers in the area served by Valley Gas. Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Residential/Commercial:

	<u>Base Rate</u>	<u>Gas Cost</u>	<u>Total Rate</u>
Minimum Bill 0 – 1 Mcf	\$8.50	\$9.02	\$17.52
Over 1 Mcf	\$3.1272	\$9.02	\$12.1472

The rates set out herein reflect the gas cost adjustment approved in Case No. 2005-00091.

Non-recurring Charges:

Returned Check Charge	\$25.00
Collection Fee	\$7.50